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AMERICA'S BUSINESS OPPORTUNITY IN CHINA

By B. Atwood Robinson

The history of trade development is the history of the world. Trade has followed the flag wherever it has gone and all too often it has been the armies of the world that have carried forward the torch of civilization and the banner of commerce. Enlightened and honorable trade relations may prove as great an influence for good as the work of the missionary or educator. From the early dawn of recorded history up to the present time trade has gone hand in hand with the advance of civilization. Beginning in Egypt, Babylonia, and Assyria, it traveled to Carthage, Greece and Rome. It followed the victorious armies of the South in their conquest of the barbarians of northern Europe, and the great commercial countries of Europe are the result. With Columbus it crossed the Atlantic, and the United States and all the other great countries of North and South America with their teeming trade have grown and flourished.

And now we are face to face with the last of the world's commercial conquests in the development of great and enduring trade relations with the other half of the world's population in the countries forming the western boundary of the great Pacific basin.

The history of trade between America and China has often been written and it is unnecessary to speak in detail of it here. From the time when the American ship *Empress of China* arrived at Canton from New York in 1784 to the present time, be it said to our credit, these relations have been generally satisfactory to both parties, in contradistinction to those of China with some other countries.

"Americans are the only people who have treated us according to the Golden Rule and we want to do business with them." These words were spoken to the writer by the late Viceroy Yang Hsi Hsiang, at Tientsin in 1908.

These words formed part of the admirable address of Judge Kungpah T. King of the Supreme Court of Justice, Peking, at a dinner in his honor in Boston in 1910.

While your complete war equipment and unexcelled facilities for preparing great engines of war are very wonderful, I must say that I am most favorably impressed with your great commercial supremacy, your tremendous natural resources and your great factories which stand as monuments to your national industry. The development of commercial interests between America and China would be mutually beneficial.

America is the natural source of supply in many lines, and proper attention to the development of commercial relations will surely bring about a great increase in trade, to the mutual advantage of both countries.

These quotations may be said to be fairly representative of the sentiment of the leading men of China on this subject.

In view of all our past relations with the Chinese, America may justly claim the title of "China's best friend." American business men have been strangely indifferent to the unparalleled opportunity presented through the gateway of the great Far East. America is the one country from which China does not fear armed invasion, but cordially welcomes invasion of trade and commerce. With this record of fair dealing to our credit, it would seem the height of folly to neglect the great opportunity that confronts us for advantageous occupancy of the field. America, by virtue of her extensive Pacific Coast line is nearest neighbor to the Far East, while the opening of the Panama Canal will afford the manufacturers of the eastern states the opportunity of reaching that part of the world with their products on a very favorable basis.

In considering trade opportunities with a country, many factors must be taken into account. It is as easy to over as to underestimate the extent of these opportunities. Meagerness of information is responsible for false conceptions of conditions. It is, perhaps, not strange that ignorance of true conditions is so prevalent, in view of the vast amount of misinformation and misrepresentation that has been spread broadcast by ill-informed, narrow-minded, in-

competent or prejudiced observers. It should be borne in mind that China has been, and is still, exploited by designing men of many lands.

First of all a careful study of the country, its resources, its people and their requirements must be made. China is a country so rich in natural resources that with the opening up of railway and other modern means of communication, the development of these resources will greatly increase the purchasing power of the people by opening up to their products the markets of the world. No one who has traveled at all extensively in China can have failed to be impressed with the tremendous possibilities of development there.

The population of the various provinces, according to the last estimates by the imperial maritime customs is as follows:

| | |
|----------------------|-------------|
| Anhwei..... | 36,000,000 |
| Chihli..... | 29,400,000 |
| Chekiang..... | 11,800,000 |
| Fukien..... | 20,000,000 |
| Hunan..... | 22,000,000 |
| Hupei..... | 34,000,000 |
| Kiangsi..... | 24,534,000 |
| Kiangsu..... | 23,980,000 |
| Kwangtung..... | 32,000,000 |
| Kwangsi..... | 8,000,000 |
| Manchuria..... | 17,000,000 |
| Shantung..... | 38,000,000 |
| Szechwan..... | 78,711,000 |
| Yunnan..... | 8,000,000 |
| Other provinces..... | 55,000,000 |
| Total..... | 438,425,000 |

Many have considered the country overcrowded, but it is doubtful if such is the case. Indeed, Dr. Ernst Faber has predicted that this population will ultimately be doubled, without reaching the danger line of supply and demand. Be this as it may, it requires not the wisdom of a Solomon to realize something of the vastness of the opportunity presented by this great multitude of people, now fully awake after centuries of somnolence, to a realization of their needs and a great longing for western culture and mode of living, with all of the best that goes with it.

We hear much of the slowness of the Chinese, but in view of the startling rapidity of development during the past two years, who will be so rash as to say that trade development will be slow? Less than eighteen months ago Mr. C. D. Jameson, than whom few have had better opportunities of studying actual conditions from the inside, in an article published in the *Outlook*, on "The Future of China," commenced as follows: "To make clear the utter hopelessness of renaissance in the Chinese as a nation until several generations have passed, I must give a slight sketch of Chinese history." And, lo, the unexpected has happened, the oldest monarchy of the world has crumbled to dust and a republic has been firmly established, while the whole world looked on amazed.

Now some would-be prophets are predicting slow commercial development. In the light of former mistakes, these prophecies seem rather presumptuous. The natural resources of a country have a most important bearing on its commercial activity. These resources of China are almost wholly undeveloped. Her vast mineral deposits have scarcely been touched. A single province is estimated to have a world's supply of coal for a thousand years and coal exists in at least fifteen provinces. The present annual output of the mines is upwards of 10,000,000 tons. There is a great abundance of iron, and the manufacture of steel and iron products has already assumed quite large proportions. Pig iron is now being shipped to the United States in considerable quantity. The precious metals are being produced in ever-increasing quantities, adding greatly to the purchasing power of the country.

The agricultural productiveness is large and if proposed plans for a comprehensive system of protective dikes is carried out, will be greatly increased.

A trade that is largely one-sided is not likely to assume large proportions, and nations wishing to transact a large business with each other must each be prepared to give and take. As we increase our purchases of China's products, so will she buy more largely from us. In this connection it is well to point out the fact that a large proportion of the ship-

ments to this country from China are made through foreign firms and nearly all come in foreign ships. This is very detrimental to American prestige. In view of the approaching opening of the Panama Canal, it behooves Americans to awake to the importance of rehabilitating our merchant marine, not simply for the profit arising from the carrying trade, but as a means of building up our foreign commerce, especially in the Far East.

In this connection the following table giving the nationality and tonnage of the various steamers entered and cleared at Shanghai in 1910 and 1911 will prove illuminating, if not pleasing:

| NATIONALITY | 1910 | | 1911 | |
|----------------|--------|------------|--------|------------|
| | Number | Tons | Number | Tons |
| American..... | 135 | 475,628 | 107 | 454,467 |
| Austrian..... | 48 | 190,120 | 48 | 192,824 |
| British..... | 3,899 | 7,097,783 | 4,112 | 7,311,167 |
| Danish..... | 66 | 81,669 | 80 | 103,096 |
| Dutch..... | 31 | 72,998 | 47 | 113,608 |
| French..... | 628 | 1,207,959 | 338 | 747,229 |
| German..... | 779 | 1,621,977 | 694 | 1,600,051 |
| Japanese..... | 3,962 | 3,453,652 | 3,853 | 3,986,523 |
| Norwegian..... | 244 | 237,151 | 307 | 295,551 |
| Russian..... | 142 | 277,988 | 148 | 266,950 |
| Swedish..... | 22 | 50,924 | 14 | 34,752 |
| Chinese..... | 5,352 | 2,910,707 | 5,056 | 3,073,254 |
| Total..... | 15,308 | 17,678,556 | 14,804 | 18,179,472 |

Again, taking the statistics of the great interior port of Hankow, the number of steamers entering the port in 1911 was 1833, with an aggregate tonnage of 2,220,402 tons. British ships led with 959,284 tons, with Japan second with 670,873 tons. German, French, Russian, Danish, American and Norwegian shipping followed in the order named. America's total was 7376 tons!

Those of us who have had the opportunity of studying the situation in European countries are only too well aware of the great preparations that are being made and the extensive work now in progress to secure for them commercial

supremacy in China. Which of the great countries of the world shall most largely profit by the increasing foreign trade of China will depend largely upon the relative activity, intelligence and perseverance of the manufacturers, exporters and business organizations of these countries at the present time and in the immediate future. What shall be the part of the American business man in this development? What, indeed, shall be the part of the great American nation therein? We hear much these days, often in derision, of "dollar diplomacy." We are really only children learning the a,b,c's of the game. For real "dollar diplomacy" let us look to Germany, the country which by intelligent study of conditions, the careful training of men, and the lavish expenditure of money has built up a great foreign commerce that is bringing to her wealth and a great world influence. Under the auspices of the German government large numbers of young men are taught the languages of foreign countries to which they are subsequently sent as missionaries of commerce. The recent activity of our government through its consular and diplomatic agents in coöperating with commercial organizations in developing and extending our trade with foreign countries is greatly to be commended.

In considering trade relations with the Chinese it should be borne in mind that they recognize as their ideal the highest standard of business honor. It is probable that of no other people is this so true, and it should prove a strong incentive to the extension of our commercial relations with them. To quote again from Mr. Jameson:

No people are commercially more honest or have a more exalted idea of the sacredness of a contract—either written, verbal, or merely implied—than the Chinese merchant, banker or contractor of any kind, unless contaminated by dealings with unreliable foreign *hongs* at the open ports. The non-official word of a Chinese is usually as good as his bond, and his bond is as good as the wealth of his family. In fifteen years of dealing with Chinese merchants and contractors of all sorts I have never found them maliciously doing work contrary to the specifications or attempting to break their contract even if it was a losing one for them.

During the past year, as was to be expected, there was a considerable decrease in the volume of foreign trade in cen-

tral and southern China, the districts most seriously affected by the revolutionary movement. Recent reports, however, indicate a present practically normal resumption of shipments. While in the Manchurian, Chihlian and Shantung ports there was a considerable increase in the volume of foreign trade, in the Yangtse ports, where the most severe fighting occurred, there was a great decrease in business. In the seventeen southern ports tributary to Hongkong, the comparative figures of 1910 and 1911 were as follows:

| | YEAR | AMOUNT |
|---|------|--------------|
| Net foreign commerce..... | 1910 | \$97,647,378 |
| | 1911 | 84,439,949 |
| Net native imports..... | 1910 | 39,173,035 |
| | 1911 | 33,199,810 |
| Exports abroad and to native ports..... | 1910 | 83,015,314 |
| | 1911 | 80,424,000 |

The chief loss during the period accordingly came in imports of foreign goods and to a considerable extent represented cancellation of foreign orders. The more serious loss in exports later, came in January and February 1912.

In view of the recent disturbed condition of the country trade statistics do not possess the face value that they otherwise would, and need careful analysis in order that their true significance may be understood. In many lines, such for example as piece-goods, American drill, flannels, jeans, sheetings, shirtings, etc., the markets became seriously congested because of the stoppage of orders as a result of the revolutionary disturbances, but the finely organized coöperative trade guilds made it possible to carry these enormous stocks without serious resultant financial disturbance, and there is now renewed activity all along the line. The accumulated stocks having been finally disposed of there is every prospect of a resumption of trade in large volume. Recent reports indicate a rapid change in the attire of the Chinese and the adoption of western styles. So marked is this movement that it is reported that sewing machines cannot

be imported rapidly enough to satisfy the demand. There is also a lively demand for fabrics of various kinds, particularly the cheaper qualities of woollen and cotton goods.

Organization and coöperation are necessary factors in the successful introduction of American goods. As an example of the efficient and effective organization for trade in China we may cite the Standard Oil Company, with its constantly expanding trade, especially in the interior districts. A system of coöperation that would build up a similar organization to handle American cotton goods and other sundries would go far toward solving the problems of American export trade.

A comparison of the exports of cotton piece goods for the past four years from the United Kingdom and the United States to China and Hongkong follows. The British figures are for calendar years, while the American are for fiscal years ended June 30:

| | 1909 | 1910 | 1911 | 1912 |
|-----------------|--------------|--------------|--------------|--------------|
| United Kingdom: | | | | |
| Yards..... | 572,443,000 | 471,334,200 | 647,449,700 | 527,636,800 |
| Value..... | \$35,593,313 | \$35,383,266 | \$48,027,011 | \$39,445,896 |
| United States: | | | | |
| Yards..... | 121,562,469 | 93,397,596 | 78,585,021 | 101,260,519 |
| Value..... | \$7,057,224 | \$5,696,010 | \$5,183,900 | \$7,192,344 |

With the starting of factories there is also a great demand for machinery of all kinds. With this in view what should be the attitude of the American manufacturer and exporter in the matter? How shall he proceed to take advantage of the situation and develop an export trade with China?

Comparative statements of the years 1910 and 1911 of the import and export trade of leading trade centres have recently been received through consular channels. These are too elaborate for incorporation in full in a paper of this scope, but some excerpts from them may prove interesting and enlightening.

Shanghai is, of course, far ahead of other ports in the matter of imports and exports. It is interesting to note that notwithstanding the serious effect of the revolution on trade

during the latter part of 1911, the gross value of the merchandise arriving and departing, according to the report of the national maritime customs, amounted to \$314,731,444, an increase of \$3,824,174 over 1910, and constituting a record.

The following table gives the gross and net trade of Shanghai in 1910 and 1911:

| ARTICLES | 1910 | 1911 |
|--|-------------|-------------|
| Opium, cwt..... | 7,006 | 2,120 |
| Cotton manufactures: | | |
| Piece goods, pieces..... | 345,268 | 743,847 |
| Towels, dozen..... | 34,696 | 8,468 |
| Yarns and waste, cwt..... | 10,124 | 518,451 |
| Nankeens, cwt..... | 113,505 | 113,030 |
| Woolen and cotton mixtures, yards..... | 44,705 | 31,918 |
| Antimony and ore, cwt..... | 117,083 | 130,317 |
| Pig iron, cwt..... | 386,976 | 460,765 |
| Arms and munitions of war, value..... | | \$222,301 |
| Bags, gunny, pieces..... | 1,540,518 | 2,954,295 |
| Bean cake, cwt..... | 1,146,441 | 1,711,469 |
| Beans, cwt..... | 2,152,374 | 2,106,737 |
| Bran, cwt..... | 455,412 | 474,141 |
| Cotton, raw and waste, cwt..... | 1,738,208 | 1,108,138 |
| Curios, value..... | \$290,381 | \$351,256 |
| Eggs: | | |
| Albumen and yolk, cwt..... | 138,524 | 136,882 |
| Fresh, pieces..... | 117,833,678 | 88,365,977 |
| Preserved, pieces..... | 8,396,208 | 7,531,415 |
| Salted, pieces..... | 704,350 | 773,580 |
| Fiber, ramie, cwt..... | 266,490 | 223,026 |
| Flour, cwt..... | 1,669,017 | 955,270 |
| Groundnut cake and pulp, cwt..... | 471,591 | 470,054 |
| Groundnuts, cwt..... | 190,077 | 271,240 |
| Human hair, cwt..... | 16,524 | 10,270 |
| Hats, number..... | 4,343,581 | 5,028,375 |
| Medicines, value..... | \$1,351,647 | \$1,268,202 |
| Oils | | |
| Bean, cwt..... | 154,996 | 214,088 |
| Cottonseed, cwt..... | 69,876 | 44,312 |
| Groundnut, cwt..... | 361,008 | 380,253 |
| Rape, cwt..... | 18,130 | 16,345 |
| Sesamum, cwt..... | 4,950 | 7,122 |
| Tea, cwt..... | 14,761 | 19,048 |
| Wood, cwt..... | 540,340 | 460,534 |
| Pearls, real, value..... | \$4,361 | \$42,959 |
| Rice, cwt..... | 2,136,285 | 3,624,490 |

| ARTICLES | 1910 | 1911 |
|---|-----------|-----------|
| Seed: | | |
| Cotton, cwt..... | 283,070 | 217,980 |
| Sesamum, cwt..... | 2,846,996 | 2,078,476 |
| Seedcake, cwt..... | 1,550,360 | 1,424,332 |
| Shoes and boots, silk and cotton, pairs.... | 158,942 | 196,094 |
| Silk: | | |
| Raw, spun, cocoons, waste, etc., cwt.... | 282,844 | 285,606 |
| Piece goods, cwt..... | 18,707 | 17,702 |
| Pongees, cwt..... | 14,472 | 11,958 |
| Skins: | | |
| Goat, pieces..... | 8,894,333 | 7,699,309 |
| Lamb, pieces..... | 707,136 | 441,173 |
| Sheep, pieces..... | 320,671 | 235,697 |
| Weasel, pieces..... | 881,133 | 706,874 |
| Straw braid, cwt..... | 101,408 | 83,114 |
| Sugar, cwt..... | 293,187 | 337,690 |
| Tea, cwt..... | 628,162 | 636,780 |
| Tobacco, leaf and prepared, cwt..... | 216,500 | 162,968 |
| Varnish, cwt..... | 20,047 | 20,465 |
| Wheat, cwt..... | 74,894 | 38,308 |
| Wool, sheeps, cwt..... | 242,501 | 395,282 |

The exports from Shanghai to the United States decreased from \$14,669,206 in 1910 to \$12,878,281 in 1911.

The following table gives the value of the principal articles thus exported:

| ARTICLES | 1910 | 1911 |
|--------------------------|-----------|-----------|
| Albumen..... | \$143,493 | \$226,061 |
| Antimony..... | | 3,473 |
| Books, Chinese..... | 1,699 | 2,520 |
| Brass ware..... | 1,233 | 1,086 |
| Bristles..... | 34,016 | 49,014 |
| Camphor..... | 47,317 | |
| Chairs, rattan..... | | 2,271 |
| Chinaware..... | 4,172 | 27,589 |
| Coal..... | 9,773 | |
| Coke..... | 12,368 | 20,710 |
| Cotton, raw..... | 513,633 | 298,290 |
| Cottonseed cake..... | 2,324 | |
| Curios..... | 5,322 | 14,523 |
| Eggs and egg yolk..... | 2,096 | 4,205 |
| Feathers..... | 13,713 | 31,041 |
| Fibers, China grass..... | 5,781 | 12,793 |
| Furs, dressed..... | 50,599 | 15,468 |

| ARTICLES | 1910 | 1911 |
|-------------------------------------|-----------|-----------|
| Hair: | | |
| Animal..... | 1,086 | |
| Human..... | 46,621 | 27,500 |
| Hats: | | |
| Raffia..... | | 554 |
| Rush..... | 21,685 | 25,080 |
| Straw..... | 2,251 | 26,288 |
| Wood-shaving..... | 809 | 39,303 |
| Hides, cow and calf..... | 288,018 | 65,660 |
| Hog products..... | | 2,327 |
| Household and personal effects..... | 10,454 | 23,370 |
| Iron, pig..... | 91,788 | 26,471 |
| Jade..... | | 20,789 |
| Musk..... | 55,516 | 223,021 |
| Nuts: | | |
| Gall..... | 7,881 | 22,192 |
| Ground..... | 43,194 | 3,360 |
| Pea..... | | 5,355 |
| Walnuts..... | 16,762 | 91,072 |
| Oils: | | |
| Bean..... | 110,258 | 127,174 |
| Cottonseed..... | 144,558 | 169,778 |
| Rapeseed..... | 5,247 | 11,433 |
| Vegetable..... | 17,108 | |
| Wood..... | 16,978 | 39,488 |
| Ramie..... | 6,764 | |
| Rhubarb..... | 20,713 | 14,246 |
| Silk: | | |
| Cocoons, pierced..... | 9,052 | |
| Piece goods..... | 457 | 2,038 |
| Pongees..... | 63,966 | 11,458 |
| Silk: | | |
| Raw..... | 6,897,922 | 6,970,067 |
| Tussah..... | | 14,764 |
| Waste..... | 157,810 | 118,431 |
| Wild..... | 548,741 | 373,774 |
| Manufactures, n.e.s..... | 1,127 | 1,260 |
| Skins: | | |
| Dog mats..... | 42,292 | 71,731 |
| Dog robes..... | 36,894 | 7,837 |
| Goat..... | 1,633,133 | 1,021,187 |
| Lamb..... | 56,987 | 42,599 |
| Leopard..... | 13,637 | 663 |
| Sheep..... | | 43,222 |
| Tiger..... | 10,627 | |
| Weasel..... | 131,811 | 18,811 |
| Other..... | 36,751 | 2,157 |

| ARTICLES | 1910 | 1911 |
|-------------------------|--------------|--------------|
| Straw braid..... | 611,575 | 431,225 |
| Tallow..... | 10,067 | 51 |
| Tea..... | 2,144,881 | 1,352,033 |
| Wool..... | 491,743 | 751,560 |
| All other articles..... | 151,754 | 42,346 |
| Total..... | \$14,669,206 | \$12,878,281 |

While the foreign trade of Hankow, passing through the maritime customs, makes this port the second in China, in direct foreign trade it stands sixth, although this classification is misleading owing to the fact that of goods shipped to Chinese ports a large share represent shipments for foreign countries.

The reports from Manchuria and ports of Tientsin, Canton, etc., are quite similar to those of Shanghai, and taken as a whole form a mighty argument for increased activity on the part of American firms.

It may be well to briefly point out some of the causes of failure on our part to fully realize our expectations in the volume of business done, and to suggest some improvements in methods. Ignorance and apathy go hand in hand as twin causes of failure to control our rightful share of China's foreign trade, import and export. A systematic study of present conditions and the adoption of methods suitable to meet these conditions is a prerequisite to success.

Ignorance of correct methods and of the fact that business may be successfully conducted without prohibitive expense or great risk, prevents many from entering what would prove a very profitable field, while the fallacy of the sufficiency of the home market for present and future absorption of products blinds many to the great opportunity awaiting them.

Consular reports are of value in furnishing statistics and general information regarding local conditions, but the appointment of special government commercial agents competent to study and report the situation in all its bearings and to make recommendations of real value to the manufacturers of the country, would be a most important and helpful move in the right direction. The great commercial

organizations of the country, its chambers of commerce, boards of trade, etc., should unite in the effort to procure for the business men of the country up-to-date information along these lines. Conditions in China have undergone a rapid and radical change and new conditions call for new methods, and the crying need of today is for a comprehensive study of the situation and the application of methods suitable to present conditions. Another important and advantageous move would be the establishment of an American chamber of commerce in one or more of the leading ports of China. This should be done under the auspices of the Chamber of Commerce of the United States of America, thus insuring the absence of any sectional or personal favoritism and guaranteeing fair and equitable treatment to all. Membership in these should be open to all reputable American business men on lines similar to those obtaining in the American Chamber of Commerce of Paris.

Perhaps in no other country has the development of trade organizations or guilds been brought to so high a point as in China. In all the leading ports her chambers of commerce are serious, helpful bodies. It is interesting to note that during the serious financial depression accompanying and following the boom and collapse in rubber securities and the failures of banks, the provincial authorities with the aid of the local chamber of commerce succeeded in relieving the situation. This indicates a spirit of coöperation highly commendatory and which we may profitably emulate in our efforts to secure our share of the trade of the country.

It must be recognized that there exist today difficulties in the way of the establishment of extensive trade relations with China that are not so marked in our commerce with other countries.

Probably the most important factor in Chinese foreign trade is the fluctuating exchange value of silver with gold, with its consequent bearing on the exports and imports of the country. A perusal of such statistics as are available clearly indicates that the import trade of China increases in ratio to the increase in the exchange value of silver and decreases in ratio to their decreased value. Without ven-

turing a positive prediction, it may safely be said that it is the general opinion of trade authorities of the world that the present high value of their coinage is but the beginning of an extended period of high exchange which cannot fail of a stimulating effect on her import trade.

Many factors enter into the exchange situation in China in its relation to imports and exports, but it is not the province of this paper to speak of them in detail. Suffice it to say that the question of a suitable currency system that shall bear such relation to the systems of the great commercial countries of the world as to insure something approaching stability and dependability in rates of exchange is being deeply studied by Chinese authorities in such matters, assisted by foreign advisers of recognized ability, and while it may be too much to hope for the speedy bringing of order out of chaos, it is reasonable to expect a continual advance in the direction of ideal conditions.

A strong effort is being made to establish a uniform system of keeping and auditing public accounts, which is sure to have a good effect in reorganizing, systematizing and bringing into being a uniform system of taxation, which is an essential to the upbuilding of a great interprovincial and international trade. One of the chief obstacles to trade extension in China is the almost absolute lack of anything resembling system in the assessment of taxes and *liken* or customs duties. In many instances goods in transit are subjected to repeated assessment en route from province to province and sometimes from town to town, in order to furnish "squeeze" for the officials. This, of course, greatly hampers and limits the extension of trade, and while it is too much to expect that this will immediately be done away with, I am in receipt of recent personal communications from high authorities giving assurance that as a result of study of the situation now being made by native and foreign experts, a change for the better is confidently looked for in the near future. I dwell thus at length on this point because of its important bearing on the foreign trade of the country. The fact that such abuses exist should not act as a deterrent to active effort for trade increases, for it is practically cer-

tain that under the new form of government, and as a result of the investigations now in progress, existing conditions will eventually give way to modern and equitable methods of taxation.

A demand for our goods must be created and this cannot be done without the expenditure of money, but a small percentage of the amount expended by the average American manufacturer in securing an outlet for his products in the home market would, if wisely applied, secure for him a foothold in the Chinese market that would have a future value far greater than would result from the expenditure of the same amount at home. If ever American exporters and manufacturers were justified in establishing the agencies which are the primary requirement of trade in China, it is at the present time.

For many reasons the ideal method is the maintenance abroad of one's own office and sales force, but excepting in the case of a few of the largest concerns, this involves prohibitive expense. Another method that is much more extensively employed, and with good results, is the sending of salesmen direct from headquarters. This method may be employed where there is a sufficiently large market for the goods offered, but the only practicable method for the average manufacturer is to place his goods before the prospective customers through the medium of some one of the large importing houses of the country.

And right here is where many of our American concerns make the initial mistake that eventually costs them dearly and not infrequently discourages them and causes them to relinquish the field. The mistake referred to is the placing of agencies with foreign individuals or firms. The usual European custom so familiar to American travelers in Europe of decrying everything American, prevails to an even greater extent amongst the foreign houses in China. They have no good word for Americans or their products, and it is a rare exception where an American is employed by any of these concerns. It is a humiliating spectacle to the American business man traveling in China to find the great majority of American concerns represented by foreigners. These for-

eigners are, if possible, more patriotic in China than at home, and it is too frequently the case the American agencies secured by them are used to advance the sale of competing lines from their own countries. Instances are not lacking where samples of American goods have been sent by these agents, with prices and full particulars, to their home countries to be reproduced there and introduced into China at the expense of the American manufacturer. Nor is this the only unfortunate feature of the practice. It is distinctly detrimental to American prestige in China. In a country where the American flag is almost never seen on the ships of commerce and where American manufacturers are so largely represented by foreign concerns, it is not difficult to understand why our country and its products suffer by comparison with those of some other nations.

There are some representative American houses in China handling American goods, but there is room for more, and American manufacturers should see that their goods are handled by Americans. Too often the eastern branches of American financial and industrial concerns are managed by foreigners or largely manned by them. This is looked upon by the Chinese as a confession of weakness and inferiority on the part of Americans and an acknowledgment of the superior business ability of the foreigner.

From patriotic, no less than business motives, Americans should speedily bring about a change in these conditions and employ Americans only in the exploitation of their goods. It will be a fortunate day for American trade with China when our manufacturers are represented by American houses employing none but Americans in their service, for it is a well-known fact that foreigners seek employment with such concerns for the sole purpose of acquiring inside knowledge of their goods, methods, etc., to be later used to the advantage of their foreign competitors.

Coöperation on the part of American manufacturers of goods in similar lines, but which do not compete, in the establishment of a house for the sale of their respective products would doubtless prove profitable if carried out on a broad scale, with able management and a complete corps of

competent salesmen. In the great interior districts nearly all the trade is in the hands of the native merchants who purchase their goods in the markets of the great ports, and are largely guided in their selections by their correspondents in these distributing centres. Here is another argument for the establishment of distinctly American houses on a scale to create and uphold American prestige. In some of the inland districts there are British, German and French firms engaged in the importation of foreign goods, but no Americans.

We must learn one thing if we are to secure our rightful share of the Chinese business, and that is that we must not be too impatient for immediate profits. Our foreign competitors are willing to plant the seed and carefully nurture the young and growing trade until it is ripe for the harvest, while too many American firms are like the amateur farmer who digs up his seed every day or two to see if they are sprouting.

Again, in order to create and maintain intimate and permanent commercial relations with China, we must acquire the eastern point of view and seek to meet their ideas of their requirements rather than to seek to foist our own upon them.

China purchases each year from foreign countries more than 250 varieties of goods. The United States participates in less than half of these, and ranks third or higher in only 27. This can hardly be said to represent our fair proportion of the trade. It may not be practicable for us to compete with other countries in all these lines, but there are doubtless some in which we do not now participate in which we could secure a portion of the trade, and in the lines in which we are already represented, increased sales would doubtless follow the adoption of vigorous selling methods.

Among the articles which are enjoying an increased demand, with every promise of a rapid and continued increase for many years, may be mentioned the following: Clothing, boots and shoes, cotton and woollen goods, bicycles, clocks and watches, hats, caps, gloves, hosiery, haberdashery and underwear, phonographs, photographic and optical

supplies, lamps, machinery, railway and electrical appliances, automobiles, hardware and building material.

The importance of adequate American banking facilities in China cannot be overestimated. The coöperation of leading financial interests with large business concerns, with branches in Peking, Shanghai, and other large business centres, for the purpose of financing great industrial undertakings, as well as furnishing all material, engineering and construction, is one of the great needs of the day, and one in which Americans are sadly behind their British and German competitors, who have far superior organizations in China, and make a more careful study of the requirements of the market. In Germany, in particular, the banks and manufacturers combine their interests and are thus prepared to secure profitable business by granting longer credits than it is possible for American concerns, to give under existing conditions.

This question of credits enters very vitally into our trade relations with China. It is of the utmost importance that we develop as speedily as possible this coöperation between our financial and industrial concerns, if we are to maintain our rightful position in connection with China's foreign trade.

In connection with railway construction and equipment, electrical and mechanical installations and general construction work, it is of the utmost importance that the representatives on the spot be competent to give intelligent information, specifications and quotations without delay. Many a good contract has been lost to a foreign competitor because of the absence of these requirements on the part of the American representative.

Illustrated catalogues printed in the Chinese language are a necessity in the introduction of many lines of goods, and where prices are quoted, they should always be c.i.f. Shanghai or some other Chinese port, as the people there have no way of ascertaining the cost of transportation from interior cities of the United States.

There should be established at Shanghai and possibly other important trade centres, permanent exhibitions of

American goods, in order to acquaint the people with our products.

I have only been able to touch briefly on a few of the most salient features bearing on successful commercial relations with China, and now to sum up:

1. China has a population of upwards of 400,000,000 people who are rapidly developing along western lines of living, with all the increasing demand for our goods consequent thereon.

2. The country has enormous natural resources which are being opened up to the markets of the world by rapid progress of railway construction, thus greatly increasing the purchasing power of the people.

3. Having this great population with ever-increasing requirements for foreign goods, it must be recognized that China will in the future furnish a great outlet for our surplus products. Now, therefore, is the time to secure a firm foothold and establish commercial relations that will gain for us the confidence and respect of the Chinese against the time of their great commercial activity.

4. We must make a careful study of conditions and requirements and acquire an intimate knowledge of the demands of the native trade.

5. We must not expect immediately profitable results, but by acquiring a better understanding of good export methods gradually lay the foundations of the great business that is sure to follow.

6. Establish adequate banking facilities, and put none but American representatives in the field, backed by sincere and genuinely interested producers.

7. Above all let us remember that American prestige is at stake. Not merely for the sake of financial gain, although this is sure to follow, but as patriotic Americans let us strive to attain and maintain our rightful position in China's commercial relations with the world, a position which shall not only prove financially profitable to all concerned, but shall, by bringing these two great nations into close and harmonious commercial relations, materially assist in hastening the day of universal and permanent peace amongst the nations of the earth.